

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AEC-07 AID-05 CEA-01 CIAE-00 CIEP-02

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01 OES-05

SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02 PRS-01 USIA-15

AF-06 ARA-10 EA-10 NEA-09 OIC-02 FEA-01 /146 W

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R 282007Z JAN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7702

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

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USMISSION NATO BRUSSELS

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E.O. 11652: N/A

TAGS: ENRG

SUBJECT: FINANCIAL TIMES ARTICLE ON KISSINGER PLANS TO
PROPOSE FLOOR PRICE FORENERGY

1. JANUARY 28 FINANCIAL TIMES CARRIES ARTICLE BY PAUL
LEWIS DATELINED WASHINGTON OUTLINING US SCHEME FOR MINI-
MUM ENERGY FLOOR PRICE WHICH IS TO BE UNVEILED AT FEBRUARY
MEETING OF IEA.

2. TEXT FOLLOWS:

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"DR. HENRY KISSINGER PLANS TO UNVEIL HIS PROPOSALS FOR

A MINIMUM ENERGY FLOOR PRICE FOR THE WESTERN INDUSTRIAL WORLD AT A MEETING OF THE MEMBER COUNTRIES OF THE INTERNATIONAL ENERGY AGENCY IN PARIS NEXT MONTH. THE US SCHEME AIMS TO ENCOURAGE THE INDUSTRIAL NATION TO DEVELOP THEIR OWN ENERGY SUPPLIES BY PROTECTING THE INVESTMENTS MADE IN THEM AGAINST A SUDDEN COLLAPSE OF THE OPEC CARTEL AND A PRECIPITOUS LOWERING OF THE WORLD PRICE FOR OIL.

DR. KISSINGER IS INSISTING ON A MEASURE OF AGREEMENT IN THIS FIELD AMONG THE BIG OIL IMPORTERS AS THE THIRD OF HIS THREE CONDITIONS FOR TAKING PART IN THE PLANNED MEETING BETWEEN PRODUCERS AND CONSUMERS THIS YEAR. THE OTHER TWO CONDITIONS ARE THE NEW CONSERVATION PLANS THAT ALL MAJOR GOVERNMENTS HAVE ANNOUNCED RECENTLY AND THE \$25BN. FINANCIAL "SAFETY NET," WHICH THE GROUP OF TEN AGREED TO SET UP THIS MONTH.

FIRST WORD OF DR. KISSINGER'S PLAN TO TABLE A MINIMUM PRICE PROPOSAL CAME IN A HITHERTO UNNOTICED PASSAGE OF THE SPEECH HE MADE IN LOS ANGELES ON FRIDAY NIGHT. THE SECRETARY OF STATE SAID AFTER REVIEWING THE ADMINISTRATION'S POLICY TOWARDS THE OIL CRISIS: "THE US WILL SHORTLY PROPOSE TO THE IEA A LARGE-SCALE COLLECTIVE PROGRAMME TO DEVELOP ALTERNATIVE ENERGY SOURCES THROUGH PRICE AND OTHER INCENTIVES TO INVESTORS AND THROUGH JOINT RESEARCH AND DEVELOPMENT."

TODAY, THOSE CLOSE TO DR. KISSINGER SAID THAT THE US PACKAGE WAS LIKELY TO CONTAIN THREE PRINCIPAL ELEMENTS:

1. AN AGREEMENT ON NEW CRITERIA BY WHICH TO JUDGE THE PROGRESS MEMBERS OF THE IEA WERE MAKING IN THEIR EFFORTS TO DEVELOP ALTERNATIVE SOURCES OF ENERGY.
2. A COMMON "ANTI-DUMPING COMMITMENT" DESIGNED TO PROTECT THE WEST AGAINST A PRECIPITATE LOWERING OF THE OPEC PRICE, EITHER BECAUSE THEA CARTEL COLLAPSED OR BECAUSE ITS MEMBERS SOUGHT DELIBERATELY TO EMBARRASS THE WEST IN ITS DRIVE FOR GREATER ENERGY SELF-SUFFICIENCY. IN PRACTICAL TERMS, COUNTRIES WOULD AGREE TO FIX A MINIMUM IMPORT PRICE FOR ENERGY, ALTHOUGH AMERICAN THINKING APPEARS FLEXIBLE ON BOTH THE LEVEL AND THE METHOD OF PROTECTION TO BE USED. OFFICIALS SAID TODAY THAT THEY

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AF-06 ARA-10 EA-10 NEA-09 OIC-02 FEA-01 /146 W

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R 282007Z JAN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7703

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

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WERE NOT SEEKING A HIGHLY STANDARDIZED ARRANGEMENT AND, CERTAINLY, NOTHING AS ELABORATE AS THE COMMON MARKET'S MINIMUM FARM PRICE SYSTEM.

3. A SERIES OF INTERNATIONAL AGREEMENTS TO SUBSIDIZE OR GUARANTEE INVESTMENTS IN THE MORE EXPENSIVE SYNTHETIC ENERGY FORMS, TOGETHER WITH A COMMON PROGRAMME OF RE-SEARCH AND DEVELOPMENT IN THIS AREA.

THE MOST LIKELY TIME FOR THE PRESENTATION OF THE NEW US PROPOSALS WILL BE THE MEETING OF THE GOVERNING BODY OF UNCLASSIFIED

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THE IEA IN PARIS BETWEEN FEBRUARY 5 AND 7. HOWEVER, IF

BY ANY CHANCE THE PLAN IS NOT READY THEN, THE AMERICANS MIGHT CALL A SPECIAL MEETING OF THE BODY LATER IN THE MONTH OR EARLY IN MARCH.

IN MARCH ALSO, THE US HOPES TO HOLD A PREPARATORY MEETING ON THE PLANNED CONFERENCE BETWEEN OIL IMPORTERS AND CONSUMERS TO DISCUSS PARTICIPATION AND THE AGENDA. THE MEETING WOULD BE FOLLOWED BY A PERIOD OF INTENSIVE ACTIVITY CO-ORDINATING POSITIONS BETWEEN THE MAIN INDUSTRIAL COUNTRIES IN PREPARATION FOR THE BIG MEETING, WHICH MIGHT BE HELD TOWARDS THE CLOSE OF THIS YEAR. BY THEN, OF COURSE, THE FORD ADMINISTRATION IS COMMITTED TO SECURING SOME MEASURE OF AGREEMENT ON THE DEVELOPMENT OF ALTERNATIVE ENERGY SUPPLIES IN THE CONSUMING COUNTRIES, AND MEANINGFUL STEPS TO CURB THE HIGH RATE OF ENERGY CONSUMPTION BY THE US."

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, ENERGY, TEXT, PETROLEUM, PROGRAMS (PROJECTS), PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON01335
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750031-0725
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750115/aaaaamtt.tel
Line Count: 186
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 21 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 APR 2003 by JonesKG>; APPROVED <10 NOV 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL TIMES ARTICLE ON KISSINGER PLANS TO PROPOSE FLOOR PRICE FORENERGY
TAGS: ENRG, (KISSINGER, HENRY A)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006